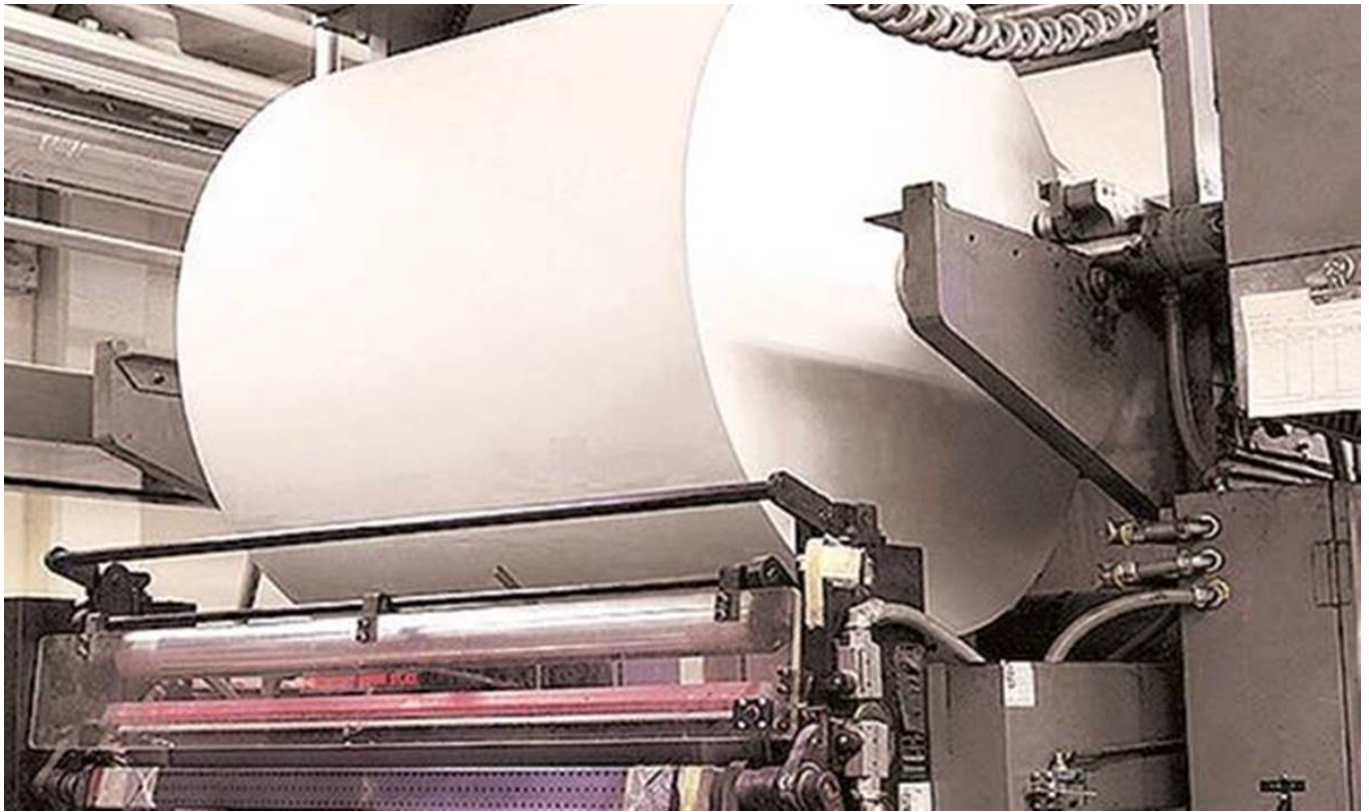


India losing out on paper exports to China; mills shut down for input cost hike

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Indian paper exports, which had reached to almost 1 lakh tonne per month with China demanding fresh Indian paper instead of imported old corrugated cartoons (OCC), are now badly hit. High production costs have come as a barrier.



China had started procuring clean and fresh paper from Indian paper mills, which has disrupted the Indian demand supply balance.

The Indian paper industry's opportunity to get a larger share in the global market, with Chinese paper industry dwindling for want of electricity, is going to a waste. Raw material prices for paper manufacturing are sky rocketing, forcing mills, mostly in the MSME sector, to shut down. Indian paper exports, which had reached to almost 1 lakh tonne per month with China demanding fresh Indian paper instead of imported old corrugated cartoons (OCC), are now badly hit. High production costs have come as a barrier.

The price of coal, paper mills' main source of energy, has increased from Rs 5,000 to Rs 15,000 per tonne thereby increasing paper production costs by about Rs 3,500- 4,000 per tonne. Coal now has to be bought with advance payment in the wake of shortage instead of 90 days' credit the paper industry earlier got.

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Price of imported waste paper or OCC has touched an all-time high due to self-consumption of exporting countries, earlier entirely exported. An almost seven-fold increase in global container freight charges, rise in starch price by more than Rs 4,000 per tonne in the last one and a half months have disrupted the industry's cash flow. Other factors contributing to this include increase in strap and stitching costs by 20% and 40% respectively, [diesel price](#) rise (which is hiking all incoming and outgoing freight charges) and higher local wastepaper prices.

Counterpoint

mills are forced to cut all credit terms to corrugators while their conversion costs have increased by Rs 1,500-2,000 per tonne, Milan Kumar Dey, president, Federation of Corrugated Box Manufacturers of India

(FCBMI) said, adding China's electricity shortage had "created a sense of optimism in the Indian markets" in terms of utilising the country's full available capacity. But high production costs have instead turned "the situation grim".

India has around 600 paper mills with capacities ranging between 5 and 1,650 tonne a day, having ability to produce more than 25 million tonne per annum.

Achyut Chanda, chairman – new market development, FCBMI, told FE the corrugated box industry has been growing at 15% over a decade mostly for India's industrial growth, ban of many packaging materials for ecological issues and e-commerce industries' growth. The increasing demand for corrugated packaging resulted in consumption of over 8.5 million tonne of kraft paper, the basic raw material, in Europe and South America. But countries like India and China mainly depend on recycled paper from OCC, whose supplies have been squeezed for recent regulations in the US and Europe to use 20% OCC for paper making.

These countries used kraft paper made directly from wood pulp and the entire OCC were supplied to India and China. But China's unchecked and unsorted OCC imports had created 8 MT of wastes prompting the country to ban all OCC imports. China had started procuring clean and fresh paper from Indian paper mills, which has disrupted the Indian demand supply balance.

With the raw material prices on fire and mills closing down, India is losing business in the Chinese market. "The country must bring in waste recycling system. If 45% of our paper is from imported waste and we keep on losing in the logistics of recycling, it is a waste of foreign exchange and national wealth," Chanda said.